

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF PUERTO RICO

IN RE
ZULEIMA MESTRE CORREA
SSN xxx-xx-3941
Debtor

BANKRUPTCY 21-01497 EAG
CHAPTER 13

DEBTOR's RESPONSE TO TRUSTEE'S UNFAVORABLE REPORT at doc #23

COMES NOW L.A. MORALES & ASSOCIATES P.S.C. by the undersigned attorney LYSSETTE A. MORALES who respectfully responds to Trustee's Report on Confirmation, as follows:

This case was filed under chapter 13 on **May 26, 2022** and the §341 Meeting of Creditors was heard and closed on **June 29, 2022**. After the §341 Meeting of Creditors, the Schedules have been amended at **doc #22** and the Plan amended at **doc #21**, both on **June 30, 2022**.

The chapter 13 Trustee has unfavorably reported on the *First Amended Plan* dated May 30, 2022 at doc #12 for the following reasons:

1. That debtor has failed to comply with her duties under §704(a)(4) and 1302(b)(1) by:
 - a. "Failed to submit evidence to sustain value of cars on Schedule A/B":
 - (i) The corrected Kbb valuation of vehicles has been uploaded to Trustee's platform as of June 30, 2022;
 - b. "Debtor must submit copy of the rental contract with third party in the amount of \$1,500, debtor is renting the vehicle financed with Popular Auto to a third party";
 - (ii) No written rental contract exists, nor is there an agreement with the debtor, but rather with her boyfriend with a third party; the current amount under the agreement has been \$1,200 monthly, not \$1,500 as of petition date which debtor projects to increase to \$1,500 shortly; debtor is coordinating preparation of a formal contract with her and the third party;
2. Plan fails Creditor's Best Interest Test §1325(a)(4):

c. "Debtor will include bank account BPPR where she signs, but the account and the monies pertain to her aunt;"

(iii) Schedule A/B has been amended and filed as of June 30, 2022 at doc #22 and also adds an additional inadvertently omitted bank account [eAccount with BPPR] on the same Schedule A/B;

3. Plan fails to comply with required treatment of allowed Secured Claims §1325(a)(5):

d. "Debtor must amend the plan to provide payment in full, Popular Auto in §3.7."

(iv) Plan has been amended and filed as of **June 29, 2022** at doc #21 to change the treatment of payment in full of Popular Auto's claim from ¶3.1 to ¶3.7 and other adjustments, including increasing adequate protection payments to Popular Auto to \$230 monthly until confirmation;

e. "Must clarify dates of vehicle insurance date in §4.6 and provision in §8. Creditor Popular Auto will be requesting an insurance coverage and evidence that it covers commercial use and a third party in the event of an accident."

(v) Refer to Amended Plan dated **June 29, 2022** at doc #21. Debtor has reached out to secured creditor regarding the issue of commercial insurance coverage, as well as having reached out with an Insurance Broker for a quote of cost of such coverage, should Popular Auto not renegotiate insurance coverage directly with debtor;

4. Tax Requirements – Debtor fails to comply with Tax Return filing requirement of §1308/ §1328(a)(9);

e. "Debtor has been receiving since Oct 2021, income from rental of a vehicle, debtor may be obliged to file 1040 PR year 2021."

(vi) Debtor has not received rental of a vehicle, but rather her boyfriend; debtor has consulted with an Accountant and preliminarily it has been determined that a tax payer's income of \$3,600 by her boyfriend, not debtor, for 2021, does not require accounting or declaring income of less than \$10,000 for 2021 tax year; the accountant will more formally determine any such duty to file shortly; debtor has complied with disclosure of this contribution to the HH expenses from her boyfriend; not having been received by her, she has no duty to declare the income on tax return for 2021, even if the

rental income would have surpassed the threshold that requires filing a tax return &/or 1040PR;

f. "Also must submit evidence she is exempt of filing tax returns for year 2018-2020."

(vii) Debtor will upload a negative Treasury Form SC 2781 *Certification Reasons Income Tax Payer Not Obligated to File Income Tax Returns* as soon as debtor travels to our office to sign the complimented form for upload to Trustee's platform. The rental income under the tax amount threshold was received by debtor's boyfriend, not by her, thus the amounts received by her boyfriend appear to be under the tax threshold and nevertheless was not received by her in 2021. Debtor is arranging for a formal contract, which does not presently exist, to be executed by her and the third party prospectively. Upon execution of a formal contract debtor will upload to Trustee's platform. Debtor has complied by disclosing and including all income received in the HH unit consisting of her boyfriend and herself on her Schedule I.

WHEREFORE debtor respectfully prays that the "Unfavorable Report" to Plan dated May 30, 2022 filed by Trustee at doc #23 has been answered and the *Second Amended Plan* dated **June 29th, 2022** at doc #21 be confirmed.

I HEREBY CERTIFY, that on this same date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF Filing System which will send a notification, upon information and belief, of such filing to the UST and to the Chapter 13 Trustee and to all subscribed users.

In Caguas, Puerto Rico, this July 1, 2022.

/s/ *LA Morales*

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